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E.O. 12958: N/A
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SUBJECT: MEMBER STATES CONTINUE CRITICISM OF THE
TWO-PERCENT SAVINGS EXERCISE

REF: 1028

¶1. SUMMARY. A second discussion on the two-percent savings exercise took place in the Fifth Committee on Nov. 17 under the agenda item "accountability" during informal consultations. The Controller, Jun Yamazaki, was present to answer questions posed to him regarding the exercise. Mr. Yamazaki began with a prepared statement, which was later requested in writing by Member States. Mr. Yamazaki also provided the memo (faxed to Dept: IO/MPR) requested by Member States at the last meeting. The Controller explained that this will be a two step process, which will begin with the presentation of the budget outline to Member States, followed by the submission of the budget. He emphasized that Member States will have the final say and the savings proposal is an exercise that is within the authority of the Secretary-General to conduct. Again, concerns were raised over the way in which Member States were informed about the exercise and about how it will affect mandates and the development account. The meeting was expected to last one and a half hours, but extended beyond two hours, with at least half an hour conducted without sound. The Controller tried to answer the questions presented to him, but Member States' concerns were not quashed. The irritation and mistrust roused by the way the proposal was communicated has not dissipated. END SUMMARY.

¶2. The G-77 and China again expressed concern that this process should have been consultative and cooperative and they should not have had to "force" the Secretary-General's hand by insisting on more details of his proposal. Many questions were raised about the extent of the exercise. Singapore (G77 and China) asked about whether the Secretary-General was proposing to realign or shift resources between program sections or within sections. The Singaporean delegate noted that the Secretary-General does not have the authority to move resources between sections. Singapore also asked about what type of resources would be affected, referring particularly to post or non-post resources.

¶3. Iran questioned the basis of the two-percent figure, claiming that it seemed like an arbitrary figure. The Russian Federation, in addition to other delegations, expressed confusion over whether the exercise would result in savings or a cut. Antigua and Barbuda (G77 and China) expressed concern about where the savings will be applied. The Brazilian delegate questioned how the exercise aligns with the strengthening proposals put forth by the Secretary-General. Nicaragua and others noted concern that the words "mandate review" were mentioned in the Secretary-General's memo when that is clearly a Member State exercise. Cote D'Ivoire raised concern that this seemed like a unilateral decision with little regard for the intergovernmental process. The delegate from Guatemala noted that proposals from program managers were due to the Secretariat by Oct. 10 and questioned why Member States had not yet received more specific information. Cuba asked how the exercise would be applied to revised estimates. Iran claimed that if the Secretary-General is now able to

accomplish the mandates for the 2010-2011 budget with two-percent less of the resources than available in 2008-2009, then his previous budget proposals were questionable.

¶4. Canada (CANZ), France (EU), Japan, and the US spoke positively about the Secretary-General's authority to conduct such an exercise as well as expressed recognition that this was a responsible way to conduct business and prepare a budget within an organization. Mexico agreed that if mandates were not compromised, such an exercise would be appropriate.

¶5. The Controller agreed with Member States that they should have been notified in a better manner. He also clarified that the proposal would affect only the 2010-2011 budget and that reprioritization would be decided by Member States. Mr. Yamazaki stated that the intention of the exercise was to be broad, and thus, managers would be responsible for deciding whether the exercise will affect post or non-post resources, or both. He acknowledged that it was possible that Special Political Missions or the Development Account could be affected by the exercise. However, Mr. Yamazaki clearly stated that this was not designed to be an "across the board" two-percent cut, but would be based on the proposals provided by program managers.

Wolff